

July 21, 2011

Dear Senator:

AARP believes that the nation's deficit requires attention and our members want the nation's long-term fiscal challenges to be addressed. However, harmful cuts to Social Security, Medicare, and Medicaid benefits should not be on the table as part of a deficit reduction package. The cumulative effects of these types of cuts would be detrimental to those who depend upon them.

AARP believes we should not be cutting benefits or raising costs for older Americans—with half of those age 65 and older having annual incomes of less than \$18,500. Moreover, while the Medicare program provides critical health care security for millions of Americans, the high costs of premiums, cost-sharing requirements, and gaps in the benefit package can result in beneficiaries spending a significant share of their household budgets on health care. In 2009, health expenses were estimated to account for nearly 15 percent of Medicare household budgets – three times the percent of health spending among non-Medicare households. And the costs of health insurance premiums, medical services and supplies, and prescription drugs are expected to continue to increase faster than inflation, at least in the short term.

Social Security

AARP members recognize that Social Security is a self-financed program that has run surpluses for nearly 30 years, reducing the need for additional government borrowing and resulting in a publicly held debt that is less today than what it otherwise would have been.

Because Social Security has not contributed to our large deficits, AARP firmly believes that Social Security benefits should not be used to remedy a problem that Social Security did not create. Older Americans earned these benefits after a life time of hard work and it is unfair and unacceptable to consider reducing these benefits as part of deficit reduction.

Cutting Social Security benefits will reduce the economic security of millions of Americans. Social Security is currently the principal source of income for nearly two thirds of older American households receiving benefits, and roughly one third of those households depend on Social Security benefits for nearly all (90 percent or more) of their income. Despite its critical importance, Social Security's earned benefits are modest, averaging only about \$1,200 per month for all retired workers. Consequently, reductions in benefits -- including backdoor decreases in the cost of living adjustment through changes to the calculation of the consumer price index -- or proposals that undermine the long-term financing of the Social Security program, should not be a part of a deal to reduce the deficit.

Medicare

Medicare is the bedrock of health security for over 47 million Americans and their families. As you develop proposals to address our nation's deficit, AARP strongly urges you to reject any that would impose arbitrary, harmful cuts to the Medicare program or simply shift additional costs onto

Medicare beneficiaries. Older Americans already spend more than other Americans on their health care expenses, and AARP opposes adding to or increasing copayments and other out-of-pocket costs for Medicare beneficiaries. We are especially concerned about proposals that call for hundreds of billions of dollars in additional health care cuts, threatening the health security of older Americans. Significant savings were already achieved as part of the new health care law, and additional cuts of this magnitude would increase costs of seniors and negatively impact quality and access to health care providers and services. We believe the best way to hold down costs in Medicare is to hold down costs throughout the health care system, with a particular emphasis on delivery system reform. Simply shifting costs on to other payers of health care services, particularly older Americans and their families would do nothing to reduce the overall costs of services and would undermine current and future retirees' access to quality care.

In addition, AARP opposes increasing the eligibility age because it would reduce coverage and increase costs for younger retirees as well as those in the Medicare program. Raising the eligibility age would require younger retirees – many of whom have been counting the days until they become eligible for Medicare -- to purchase health insurance on the individual market. In addition, it would raise costs to the Medicare program by forcing younger and healthier enrollees to purchase their coverage elsewhere, leaving Medicare to cover those who are older and often more expensive. AARP also opposes introducing additional income-relating or means testing to the Medicare program, since the small minority of “wealthy” Medicare beneficiaries -- defined at incomes levels beginning at \$85,000 -- already pay higher Part B and Part D premiums, despite having contributed more to the Medicare program throughout their working lives.

Medicaid and CLASS

AARP urges you to avoid arbitrary caps, limits or other harmful cuts to Medicaid that could reduce vital access to care, including essential home and community-based services and nursing home care. Such cuts could put the health and safety of seniors and people with disabilities at great risk, and ultimately cost federal and state governments more. Arbitrary limits or cuts to federal matching Medicaid spending don't make costs disappear; they simply shift costs to individuals, providers, and state governments. Significant cuts to Medicaid cannot be made without harming individuals and families who rely on Medicaid for health or long-term care, including formerly middle income people whose life savings have been wiped out by the high costs of long-term care.

Cuts to Medicare and Medicaid that are being considered as part of the debt ceiling negotiations would shift additional costs to family caregivers. A recent AARP report found that the estimated value of family caregivers' unpaid contributions was approximately \$450 billion. It is unfair and ineffective to shift costs on to these family caregivers, many of whom allow their loved ones to remain in one's home and community and out of more expensive nursing home care.

Given our belief that Social Security, Medicare, and Medicaid benefits should not be on the table as part of a deficit reduction package, we reject proposals –such as the recent outline from the so called “Gang of Six” -- that are imbalanced and include deep cuts to Social Security, Medicare, and Medicaid. In addition, this proposal would repeal the CLASS program – an important priority for AARP members. Repealing CLASS would add to the federal deficit over the next ten years. The Congressional Budget Office (CBO) has estimated that CLASS would reduce federal deficits by \$83

billion in the first ten years, including about \$2 billion in federal Medicaid savings due to CLASS, just in the few years that CLASS pays benefits. Receiving CLASS benefits may help delay or prevent potential spend down to Medicaid eligibility because CLASS will help cover long-term care services and supports (LTSS) costs in the home instead of often more costly institutional settings. We strongly urge you to reject proposals to repeal this vital program.

AARP also is opposed to legislation that would impose artificial limits on critical spending, such as the Cut, Cap and Balance Act. While the Cut, Cap, and Balance Act expressly excludes Medicare and Social Security from direct spending limits and GDP outlay limits, it subjects Medicaid and other critical supports for vulnerable older Americans, such as SNAP, to those limits. Arbitrary limits could mean harmful cuts to Medicaid that could put the health and safety of seniors and people with disabilities at risk, and ultimately cost federal and state governments more. In addition, the Cut, Cap and Balance Act requires that a balanced budget amendment to the United States Constitution be transmitted to the states as a pre-condition of increasing the debt ceiling. Social Security and Medicare, which are not excluded under the balanced budget amendment, would therefore be at risk for arbitrary reductions under the constitutional amendment, and as such, AARP is opposed.

Finally, given our belief that Social Security, Medicare, and Medicaid benefits should not be on the table as part of a deficit reduction package, we reject proposals –such as the recent outline from the so called “Gang of Six” -- that are imbalanced and include deep cuts to Social Security and Medicare to reduce the deficit. We also note that some have proposed the inclusion of a deficit reduction committee as part of an agreement to increase the debt ceiling. We urge that Social Security not be included in a deficit reduction committee, as all key leaders in this debate have acknowledged that Social Security is a separately funded program that has not contributed to the deficit. We urge instead that Social Security be treated independently in the context of achieving retirement adequacy and long-term solvency in the program. We also strongly believe that consideration of any deficit reduction committee recommendations should include a reasonable opportunity for debate on the proposals as well as permit consideration of any alternatives. Lack of debate and amendment would curtail the opportunity for public input into some of the most important issues that will impact every American, and reduce the opportunity to build public support for any changes proposed by a deficit reduction committee.

On behalf of our millions of members and all older Americans, we reiterate our opposition to cuts that would harm beneficiaries of the Medicare, Medicaid and Social Security programs. As the negotiations over raising the debt ceiling continue, we strongly urge you to enact legislation that will protect these vital programs that tens of millions of Americans depend upon for their health and financial security.

Sincerely,

Addison Barry Rand